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United States
Department of
Agriculture

Office of
Governmental
and Public Affairs

Speeches and Major Press Releases

October 20 - October 24, 1980

Statement

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Statement by Secretary of Agriculture Bob Bergland concerning the U.S.-China Grain Agreement signed in Beijing, China, October 22, 1980.

The grain agreement signed late last night in Beijing is the latest in a series of steps that provide for a continued expansion in U.S. grain exports to China. From a level near zero in 1976 and 1977, U.S. grain sales to that country have grown to an estimated 8 million tons this calendar year. The new agreement will assure continued sales of between 6 and 9 million tons of American grain to China in each of the next 4 years. No ceiling on sales to China is established.

We believe the agreement will encourage further sales of grains to China and expect that over the next few years the Chinese will, at times, buy even more than the 9 million ton level. We anticipate no difficulties in meeting this demand or those of our regular foreign customers. We are also pleased at the impetus this agreement provides for the further strengthening of trade and diplomatic ties with China.

The agreement will benefit our farmers by providing assurances of a stable, high level of exports to China from the United States.

The agreement specifies that all purchasing will be done through normal private commercial channels at prevailing market prices.

We believe this agreement, while benefitting grain farmers directly, will have a favorable effect on other agricultural trade as well. This year, grains will account for about one-half of the \$2 billion in agricultural exports to China with other sectors of the farm economy sharing the other half.

These shipments represent a dramatic success story in agricultural trade. In 1976, the market for U.S. farm products in China had fallen virtually to zero following a series of up and down years. In 1977, President Carter reaffirmed the Shanghai communique as a basis for improved relationships between the two countries, and the following year we visited China and began technical exchanges in the field of agriculture.

On January 1, 1979, diplomatic relations were reestablished after some 30 years of nonrecognition. Early in 1980, a general trade

agreement was ratified, granting most favored nation status to both partners in the U.S.-China trade. Meanwhile, U.S. agricultural sales rose to \$614 million in 1978, almost \$1 billion in 1979, and well over \$2 billion this year.

This growth in trade, along with the new grain agreement, is a rewarding climax to two years of expanding contacts and negotiations with China. We see it as a new milestone in our country's relationship with a nation that includes one-fourth of the world's people.

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Fact Sheet

U.S. Department of Agriculture • Office of Governmental and Public Affairs

U.S.-China Grain Agreement

- Agreement commits China to purchase and U.S. to supply at least 6 million tons of wheat and corn annually over the next 4 years beginning Jan. 0 1981.
- If China intends to purchase over 9 million tons of wheat and corn it will notify the United States Government. The United States will promptly notify China of any measures which might affect the availability of quantities above 9 million tons.
- The overall purpose of the agreement is to facilitate expanding trade and U.S. production planning through greater availability of information on China's import requirements. It also will help to regularize trade from year to year between the two countries.
- The agreement provides for annual consultations between the two countries.
- Actual sales and prices will be negotiated by the Chinese with private and cooperative trading companies. The agreement contains no provisions for credit.
- Negotiations began in the middle of September in Beijing and were completed this week. Tong Zhiguang, Director of the Import Division, China National Cereals, Oils and Foodstuffs Import and Export Corporation, led the Chinese delegation. Thomas R. Saylor, Associate Administrator of USDA's Foreign Agricultural Service, led the U.S. side.
- U.S. grain trade with China has fluctuated widely since trade was resumed in 1972 from no grain trade in some years to approximately 4 million tons in 1973 and 1979. The average annual purchase from the United States from 1973 through 1979 was about 1.1 million tons of wheat and 800,000 tons of corn. China's total annual imports from all origins over this period has averaged about 5.5 million tons of wheat and 1 million tons of coarse grains.
- In the current fiscal year (80-81), China is expected to purchase over \$2 billion worth of U.S. farm commodities. Current estimates are for purchases of about 6 million tons of wheat, 2.5 million tons of corn, almost 1 million tons of soybeans and 2 million bales of

cotton.

- China also has long-term grain agreements with Canada, Australia, Argentina and France.

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Speeches and Major Policy Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Remarks prepared for delivery by Dale E. Hathaway, Under Secretary of Agriculture, before the 16th Latin American Food Production Conference, Haines City, Florida, October 21, 1980

The growth of agricultural trade in the past two decades has truly been spectacular. It is a story that has unfolded in a period of remarkable political, social, economic and technological change.

I had intended today to merely address some of the changes that have taken place in world agricultural trade flows. While it is important to understand these evolving patterns, I think it is equally important to address some related concerns that impact these patterns--concerns that will require our utmost imagination, determination, and cooperation to resolve. I will focus my remarks on a few of the agricultural commodities in which the U.S. has an interest--wheat, coarse grains, soybeans, and cotton--products which currently account for about 90 percent of our agricultural exports.

The basic points I have to make are: (1) trade flows in many of these commodities have changed drastically in the past three or four decades; (2) the behavior of countries which play an increasing role in commodity trade results in greater uncertainty and instability in world markets for most of these commodities. Traditional adjustment mechanisms no longer function satisfactorily and the adjustments fall on relatively small groups; and (3) there are some potential threats to continued growth of this trade which we must come to grips with.

Wheat and Coarse Grains

Let me start a review of the level and change in trade flows by discussing wheat and coarse grains. There are two factors that distinguish grains from many other internationally-traded commodities--factors that have significant implications for the future of the grain trade.

The first is the major expansion, indeed the explosion, in the level of trade in both wheat and coarse grains over the last four decades.

Prior to World War II, world trade in wheat, for instance, averaged less than 17 million metric tons per year. There was an approximate doubling of the world wheat trade from the late 1930's until about 1960. Since that time, in two decades, there has been another doubling of wheat trade and current record levels of wheat trade have been maintained and are expected to continue despite concurrent new world records in food-grain output.

The rate of increase in world coarse grain trade has been even more dramatic. Prior to World War II, coarse grain trade was reported at about 15 million metric tons per year. Immediately after the war and continuing through the 1950's, there was no appreciable growth in coarse grain trade. Starting, however, in the 1960's and continuing almost without interruption since, there has been an explosive sixfold increase in coarse grain trade over the pre-World War II level and more than a threefold increase over the 1960 level.

The second important element in the world grain trade is the change in who exports and who imports grains. Prior to World War II, the developed market economies accounted for 60 percent of the exports and for two-thirds of the imports of wheat. In this period, over half of world wheat exports originated in developed market economies, namely North America and Australia, and the importers were mostly developed market economies. This situation changed drastically after World War II and the developed market economies now provide over 90 percent of total world wheat exports. Conversely, the proportion of developed market economy imports has dropped from two-thirds to one-quarter of the total wheat trade, while the developing countries now account for more than half and the centrally planned economies another quarter of all wheat imports.

For coarse grains, the trend in market shares has some parallels with wheat and some important differences. Prior to World War II developing market economies exported nearly 60 percent of all coarse grain entering the world markets. The centrally planned economies provided another 20 percent, while the developed market economies provided less than 20 percent of world coarse grain exports. At that time, the developed market economies were virtually the only importers, importing 85 percent of all coarse grains entering world markets. During the pre-war period, the developing market economies

accounted for only 2 percent of the coarse grain imports while the centrally planned economies accounted for about one-eighth of all imports.

In the post-World War II period, the developed market economies of North America and Australia have dominated exports of coarse grains and now account for more than 80 percent of the exports of coarse grains. This change in trade flows has been accompanied by a steady decline in the proportion of exports coming from both centrally planned and developing countries.

Import patterns for coarse grains have also shifted markedly. Since World War II, the developed market economies have shown a steady and continuing decline in the proportion of coarse grain imports, and if one removed Japan from these statistics the decline would be even more apparent. Concurrently, the developing market economies and the centrally planned economies have increased their imports of coarse grains.

Soybeans

As in the case of wheat and coarse grains, world trade in soybeans has grown tremendously. Prior to World War II, China, a developing country, dominated soybean exports while the developed market economies were the major importers. Since World War II there has been a sharp change in exporters, but the importers have only recently begun to change. Since World War II one advanced market economy, the United States, has dominated world soybean exports, while Brazil and Argentina have replaced China as the only other exporters of consequence. The developed market economies, however, are still largely the importers (in fact, over 80 percent), while the centrally planned economies have been importing significantly more soybeans since about 1960. And finally, during the 1970's middle income developing countries have begun to expand their imports of soybeans to parallel their growth in feed grain imports.

Cotton

Trade in cotton has differed in significant ways from grains. The cotton trade has not expanded rapidly since World War II. In fact the 1970 levels are not very much higher than they were in 1960.

However, there have been significant shifts in the trade pattern for cotton. Cotton is one agricultural commodity where the advanced market economies have steadily lost export market shares, mostly to the centrally planned economies. The developing countries, which still provide slightly over half of the world cotton exports, have maintained their market share at the same levels they enjoyed immediately prior to and after World War II.

There have also been significant shifts in world imports of cotton. Whereas developed market economies constituted over three-quarters of import markets during the late 1930's through 1950, they now import only half of the world's cotton. At the same time, the developing market economies have increased their cotton imports to nearly a quarter of all the cotton presently traded. Centrally planned economies have now increased their import share to more than a quarter of all world trade. Thus, both the export and import shares of the advanced market economies in the world cotton trade have declined mostly because of the export expansion of centrally planned economies and the imports of both the developing countries and centrally planned economies.

Summary of Trade Changes

I believe that some generalization can be made from this brief review of commodity trade patterns and that certain implications can be drawn.

First, the major growth in agricultural commodity trade has occurred in basic foodstuffs and the growth rates have been highest for products associated with personal income growth, i.e., coarse grains and soybeans. The growth rate for products for which there are close substitutes, namely fibers, has shown modest or no growth in trade.

Second, the developing countries and the centrally planned economies are becoming increasingly important importers. In the case of wheat, these two groups of countries account for a combined total of three-fourths of the imports and about half of world imports of cotton. In coarse grains, these two groups of countries account for 40 percent of all imports and they take a fifth of all world soybean imports.

Trade Trends and Adjustment Mechanisms

Even though the levels of agricultural commodity exports from the developed market economies have been increasing, thus benefitting producers of those commodities, certain factors have not changed. Even with modern technology, the production of these agricultural commodities is still a biological process subject to influences outside the control of man (weather) and subject to relatively inflexible lags in production response to price changes.

These adjustment problems have always been there, although they certainly are increased by the high capitalization and cash flow requirements of large scale modern agriculture.

Under the more liberal trade regime which once prevailed among many developed market economies, it was possible to achieve adjustments in consumption and private stock-holding as well as in production. If supplies traded between market economies were short, prices rose, consumption fell, and the adjustment was spread relatively evenly between trading nations. If supplies were large, prices fell, consumption increased, and the incentive for private stock-holding increased; and producer adjustment, while difficult, was achieved, often with some assistance from governments.

But what are the adjustment mechanisms in the current and future trading world for most economies? By definition, centrally planned economies have a high degree of, if not complete, government control over imports and exports, and thus, import demand is not a reflection of the variables economists normally use. In general, lower world commodity prices are not reflected in increased consumption levels nor are markedly higher world prices allowed to be reflected in reduced consumption.

Most developing countries also tend not to allow market adjustment mechanisms to function internally but for somewhat different reasons. When supplies are tight, it is neither economically nor politically feasible to reduce consumption levels where large portions of the population already are at or near subsistence levels. Conversely, there are political and economic risks involved in expanding consumption markedly during periods of ample world supplies, given the ability to sustain higher consumption levels in periods of shorter supplies and higher import prices.

For a variety of reasons, a number of developed market economies have also chosen to use mechanisms which isolate their consumers from world market prices. As a result, the countries which allow some element of market adjustment to occur are the few open market economies, and so the burden of adjustment to changes in output falls heavily upon the producers and consumers in developed exporting countries.

Future Trends

Are the patterns of trade of the past two decades likely to continue? My view is that they are. But the trading system is likely to come under increasing pressure from other political, social, economic and technological challenges. Foremost among these challenges to expanded trade are declines in per capita food production in developing nations; the lack of funds in many countries to purchase food; and a potential worldwide increase in protectionism.

Population

As we have seen, the world has become increasingly dependent upon a small number of net agricultural exporters for its food.

The bulk of the world's population increase is and will be in the developing countries and centrally planned economies. Thus, demand will grow in those nations and increased income is likely to be translated into increased consumption of grains, soybeans, sugar, meat and poultry products. For a variety of reasons, including natural resource endowments, structure and climate, it appears that domestic production of many of these commodities is unlikely to expand sufficiently to meet the internal needs of the developing and centrally planned countries. In fact, worldwide, the rate of growth in demand for food may be outstripping the rate of increase in agricultural output. Looking at the trends, some observers believe that we can anticipate a significant rise in the relative price of food sometime before the end of this century.

But, increases in per capita food production in developing countries has been virtually nil over the last decade. In these countries, food production grew by only 3 percent in 1978 and declined slightly in 1979. (The United Nations had set a target of 4 percent growth.) In the

poorest of these countries, annual per capita food production declined in both years and, in fact, has been declining over most of the past decade. Food imports by the developing countries grew at a rate of 2.7 percent a year in the 1960's but jumped to 6.9 percent per year during the 1970's. Demand for food in the developing countries is expected to continue growing at a rate of 3.7 percent until the year 2000.

The period ahead looks grim for many developing countries. It is clear that in order to meet the projected demand, the developing countries will either have to increase their domestic food production by at least 75 percent over the next 20 years or find ways to import immense quantities of food.

Increasing Oil Prices Place a Heavy Burden on the Economies of Developing Countries

The capacity of the non-oil developing countries to import food and other essential goods has declined sharply in recent years. Quantum increases in oil prices have played a major part in creating this problem. Oil prices have increased almost 150 percent since the end of 1978 and 1500 percent since the beginning of the 1970's. The first oil price shock added an estimated \$124 billion to the world's oil bill over two years; the second will add almost \$370 billion.

The non-oil developing countries have been particularly hard hit by these price increases. Their oil import bills have risen from \$22 billion in 1978 to an estimated \$56 billion in 1980. Oil now accounts for about 20 percent of the total value of their imports, as compared to 7 percent in 1973. In 1977, the combined current account deficit for these countries was \$28 billion. In 1980 it will probably reach \$68 billion. In 1981, the projected current account deficit for these countries may be \$78 billion.

Furthermore, the foreign exchange which the non-oil developing countries must pay for their oil imports is not returning to them. The recycling problem has become more serious, since the oil exporters do not return to the oil importers through any international arrangement, sufficient foreign exchange to cover current account deficits of the developing countries.

Many developing nations, especially the lowest income countries, must import oil at minimum levels to sustain essential economic

production. When financial constraints occur, oil, like food, is a priority item. But the increased cost of importing oil also curtails other development expenditures and makes it more difficult for these countries to sustain adequate rates of overall economic growth.

Inflation in the developing countries--with rising prices for manufactured goods--has also sapped foreign exchange reserves in the developing countries by raising their import costs of capital equipment. But developing countries cannot afford to reduce their imports of capital goods without risking a further slump in their internal growth rates. Unfortunately, the developing countries have not been able to expand their export earnings in recent years to offset the increase in their import bills, and there are few signs of substantial improvement in the near future.

Because of these constraints on foreign exchange earnings and reserves, financing for imports and development programs will have to rely increasingly on commercial borrowings and concessional aid. However, the cost of borrowing is now very high and the non-oil developing countries have already accumulated debt burdens of more than one-fourth of their combined national incomes. Many of them will have difficulty locating private sources of financing, and the poorest countries may not be able to qualify for commercial loans. They must depend on official development assistance for the foreign exchange they need.

Increasing energy costs directly affect the production and distribution of food in both developing countries and the major grain-exporting nations. In the United States, agriculture accounts for more than 20 percent of the nation's energy consumption. The cost of transporting grains from farms to processing and exporting centers has also risen sharply. Consequently, food prices have also increased, and this means higher food costs for importing countries and less grant food aid for each dollar Congress appropriated for this purpose.

Rising oil and manufacturing prices also affect the application of high yield technology in developing countries, and hence their ability to step up production and distribution of food. These rising costs will affect the use of commercial fertilizers as well as equipment used in irrigation systems harvesting, transport and processing.

With 90 percent of external financing for development coming from official sources, the key question facing the low-income, food-deficit countries is whether official assistance--including aid from oil-exporting countries with surplus foreign exchange--will increase sufficiently to offset their sharply increased deficits. If it is not adequate, cutbacks in growth and development programs, as well as food shortages, may be inevitable for many poor countries where the people are chronically malnourished. Particularly in Africa, where a large proportion of the people subsist in poverty, the problem is acute and the hopes for immediate improvement are not bright.

Decline in Economic Growth and the Resurgence of Protectionism

The recent round of oil price increases have led once again to a substantial decline in economic growth in the industrial economies. The slowdowns in developed nations vary from a recession in the United States to record post-war unemployment levels in several West European economies. These declines, in turn, have reduced the demand for both raw materials and manufactured imports from developing countries, further exacerbating their problems of paying for imports and servicing their huge external debts.

It is not surprising in these conditions to find a rise in demands for protection against manufactured exports from developing nations--a move that would only further exacerbate the problem of these countries and ultimately jeopardize ourselves. We have still not come to grips with our dual role of world political leader and world's largest economy. All of the developed economies, particularly the United States, have much to gain politically and economically from trade with centrally planned and developing economies.

Exposure to the West has allowed East European countries to move marginally from the Soviet line. Trade with the developing nations provides us with access to badly needed raw materials. We keep the lines of communication open and both sides benefit economically. Failure to recognize these factors threatens what has been an amazing rise in world trade in grains and soybeans--trade which has greatly benefitted the U.S. economy. Because of the importance of these issues to the United States it behooves us to show leadership in the hard decisions involved.

Summary and Implications

I would like to conclude my remarks by point out that while the current trading system and our export performance record have been extremely beneficial to our producers and many of the world's consumers, major challenges, fierce adjustments, and hard decisions lie ahead. Each of us, in turn, will be made to feel the adjustments that will be required.

While the world trade in grains and soybeans has grown markedly in recent years, there has been increasing instability for exporting nations associated with this rising trade. Attempts to deal with some of the issues through such devices as a wheat agreement have, thus far, failed and prospects do not appear bright for an early resolution.

The expansion in world agricultural trade, which seems likely to continue, could be threatened by the serious dislocations to the world economy created by the continuing oil price increases in 1979 and later. These factors slow world economic growth, hamper expansion of food production, and reduce the ability of developing countries to purchase food imports.

Can we adjust to these changes? The agricultural sector has shown an ability to respond and adapt to changing economic circumstances. But as we have seen, many of the factors which are crucial to the world's ability to produce and trade food supplies lie outside the realm of either technical agriculture or agricultural policy issues. The world's attempts to make adjustments will require agriculture's continued leadership and imagination, but it will also require the involvement, determination, and political will of a broader group of leaders in each nation. Now we must help to see that the world monetary and trade system is adapted and adjusted to meet new world conditions, realizing that the outcome is crucial to all of our futures.

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Speeches and Major Policy Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Remarks prepared for delivery by Alex P. Mercure, Assistant Secretary of Agriculture for Rural Development, at the National Rural Electric Cooperative Association - Department of Energy Geothermal Workshop, San Diego, California, October 21, 1980

RURAL ELECTRIC COOPERATION: A BECKONING 'YARDSTICK' ROLE ONCE AGAIN FOR THE ERA OF ENERGY EXPERIMENTING

By your participation here today and by the participation and interest you and your systems are displaying in geothermal and other renewable sources of energy, there is every reason to believe that rural electrification has before it a great future of accomplishment in the pioneering field of renewable energy.

You have a key 'yardstick' role to play in the resolution of the national energy crisis. Why and how can I speak with such confidence as to your intentions, to your commitment?

Because at the Federal Energy Regulatory Commission alone, there are more than 80 applications by rural electric cooperatives for hydroelectric projects. Seven of those are already in licensing stages, and the remainder are preliminary, which establishes reserve rights on these projects for the rural electric applicants. These applications amount to a potential of about 1,800 megawatts of clean, renewable energy.

This is only the beginning. In partnership with Rural Electrification Administration, local and regional rural electric systems are commencing to build a record of distinction in this pioneering area, just as you did in an earlier era when electric power was brought to the countryside for the first time.

REA is following through--and the rural electric borrowers are responding--on Presidential energy directives issued in June of 1979.,

Those Presidential initiatives directed REA to:

- Actively encourage energy conservation programs to reduce the need for additional capacity by providing special short-term insured and guaranteed loans, consistent with Congressional criteria.
- Actively encourage and promote development of supplemental sources of energy by the cooperatives or their member-consumers, using such renewable resources as solar heating and cooling equipment, solar crop drying, small wind generators, farm-based biomass generators, and small-scale hydroelectric facilities.
- Require generation and transmission cooperatives, as part of their loan application, to consider those resources capable of producing central station electric power, such as hydroelectric plants, biomass facilities, wood chips, or peat, wherever it is technologically feasible and cost-effective.
- Work with other federal agencies, as appropriate, to develop promising solar demonstration projects.

Essentially, this administration's energy policy is one of placing the various kinds of energy in the right perspective and in the right time frame. Stuart Eisenstat, Assistant to the President for Domestic Affairs and Policy, best summarizes the policy:

"On the production side, in the short run over the next decade, we must maximize the production of our conventional sources of energy--coal hydroelectric, power, natural gas, uranium--and build the capacity for substantial amounts of new energy resources and synthetic fuels--recognizing that they will become significant factors only toward the latter part of the decade."

At the heart of the national energy program and its implementation is the integration of these elements:

- Integration of the new technologies into existing systems of delivery, wherever possible, rather than operating in isolation to "link the source to the use."
- Advancement of systems design methods.
- Bulk power delivery and greater maximizing of interregional and energy resource interchanges.

- Energy conservation.
- Load management.
- Continued major research and demonstration projects on technologies, such as geothermal energy, which are moving into commercial feasibility stages.

The policies of the Department of Agriculture, REA and Farmers Home Administration reflect this balanced and sensible policy.

Geothermal energy is first known to have been used when hot springs were tapped to channel heat and water into the baths of ancient Rome. But true commercial exploitation dates only from 1818, when a chemical plant at Larderello, Italy, used geothermal heat to produce boric acid. Geothermal electricity began as a commercial reality at Larderello beginning in 1913.

Worldwide, geothermal generating capacity today is at about 1,600 megawatts, and is growing at an annual rate of about 19 percent. It is growing at about 24 percent in the United States. The world's largest geothermal facility is the 800-megawatt aggregation of Pacific Gas and Electric Co. (PG&E) at Geysers Project.

The tapping of the geothermal energy of the Fenton Hill Hot Dry Rock Geothermal Project in Sandoval County, New Mexico, now underway as a project now by the Los Alamos Scientific Laboratory, involves the participation of Plains Electric G&T Cooperative, the New Mexico cooperative wholesale power supplier. Plains has a Department of Energy grant for \$120,000 to make direct commercial application of the energy by using the steam to manufacture electric power from turbine generators at the site--from between 5 to 10 megawatts. If the Plains investigation and its feasibility studies prove out, a turbine generator will be build and the power brought onto the system through facilities operated by Jemez Mountains Electric Cooperative. As you see, commercial application is being viewed as a reality by Plains Electric, and if feasible, would be integrated throughout its entire system.

This is a geothermal conference, but I want to take this opportunity to report that REA also has applications from borrowers all across the varied, resource-rich rural United States which are anxious to be involved in a number of other kinds of supplemental demonstration projects.

These programs gained increased impetus when the agency received positive ruling from the Comptroller General earlier this year that authority existed in the Rural Electrification Act to make loans for feasibility studies and other early costs associated with such projects.

Supplemental energy projects proposed included:

- The use of sunflower seed hulls as boiler fuel for electric generation in North Dakota, biomass energy fuels (wood) projects in North Carolina and Michigan, and the burning of peat as boiler fuel in North Carolina, Florida and Minnesota.
- Systems in Mississippi, Alabama, and Illinois are studying the possibility of using off-peak power to compress air in underground salt domes and caverns to generate power at peak periods.
- An Alaska system is proposing to build 3 or 4 generating units which will use waste heat from pumping stations along the Alaska Pipeline.
- A North Carolina system is operating as a demonstration project one of the world's largest wind generators in cooperation with the National Aeronautics and Space Administration. It is one of several wind projects being undertaken by rural electric systems.

Last month at the White House there was a ceremony in which loans were announced for more than 50 projects for small hydro and other kinds of energy. The projects are part of President Carter's plan to put renewable energy into a dovetailed program using all kinds of energy--the 'exotics' as well as the conventional--to meet our national energy goals.

Thirty-one of those projects were those of rural electric systems. Ten co-ops were represented which have hydro studies underway, as well as one for burning wood chips as a boiler fuel, and another for a study of peat as fuel for a 100,000 kilowatt power plant. This was a first-of-a-kind special loan package REA put together in record time. It demonstrates your enthusiasm, your willingness, to move out into the experimental energy age.

That kind of imagination in planning future renewable resources is typical of your groups. It is the nature of rural people and rural organizations to be conservation-minded. Your rural electric

cooperatives serve consumers locally and regionally, but in the conduct of your power supply and distribution responsibilities there is the understanding that you are acting also in the national interest. Your record as power supply and distribution cooperatives in meeting national energy goals will be recorded as a pioneering one when the history of America's energy crisis and how it was met is chronicled.

The machinery of the REA Energy Management and Utilization Division is in place and is working well for alternative projects to go forward. The Comptroller General's opinion, rooted in law and precedent, also reflects an understanding of the changed nature of rural energy development today.

Rural electric cooperatives, because of the diversity of their resources, climates, geography and topography, can move forward to a new leadership position.

The handwriting is on the wall. We must reduce our dependence on foreign oil supplies and develop new means of maintaining the flow of energy so vital to our productive processes and individual living.

As we venture into the unknown world of yet unproven technologies, we are convinced that the dedication of the cooperatives can be used in this power crisis to the great benefit of not only rural consumers, but to all citizen consumers in America.

By taking those crucial steps toward supplemental energy sources, we can:

- Reduce reliance on oil and gas to generate electric power.
- Assist in the development of renewable resources to generate electric power at a cost so the electric power can be an economic alternative to the direct use of oil and gas.

There is much opportunity for you to make innovative changes in rural America that will lessen our dependence on foreign oil supplies and to move us a step closer to energy self-sufficiency. The time is now for rural electric systems to pioneer--not only in conservation and supplemental or alternative forms of energy, but also in conventional forms--to advance electric generation, transmission and distribution technology, and in making full use of existing natural resources.

These are areas where REA borrowers can make important contributions to the national energy picture.

I am confident that we will move forward in all these areas, calling upon the optimism and innovation which is so much a part of the heritage of rural America--and of rural electrification. If this is done--and all indications point to the fact that you are moving in this very progressive direction--then the rural electricians will be in the vanguard to resolution of the energy crisis.

I have great faith that you will be enormously successful in this endeavor while still meeting your pressing current power supply and distribution responsibilities in demonstrating America's viability to meet its responsibilities to future generations.

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Press Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

COSTA RICANS TO ADVISE U.S. ON RECLAIMING LAND HIT BY VOLCANO

WASHINGTON, Oct. 17--A team of Costa Rican scientists will visit the United States next week (beginning Oct. 19) to give advice on how to reclaim land devastated by the volcanic eruptions on Mount St. Helens.

Norman A. Berg, chief of the U.S. Department of Agriculture's Soil Conservation Service, said the Costa Ricans will share their reclamation experiences gained following numerous eruptions of Mount Irazu beginning in March of 1963.

Jorge Dengo of the Costa Rican Ministry of Public Works will head the team of visitors.

Berg said a team of U.S. scientists trying to rehabilitate the Mount St. Helens area will visit the Republic of Costa Rica early next year to see and review the successful reclamation of the Mount Irazu area.

On the recommendation of President Kennedy, Berg said, the USDA soil conservation agency sent a team of agricultural scientists to Costa Rica after the first eruptions of Mount Irazu their in 1963.

About 60,000 acres (24,291 hectares) of Washington State were so denuded by the Mount St. Helens eruptions that they require revegetation. With emergency funds appropriated in July, Berg said, about a third of the damaged area--some 20,000 acres (8,097 hectares)--already has been reseeded.

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Press Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

USDA BUYS CHICKEN PATTIES FOR SCHOOL LUNCHES

WASHINGTON, Oct. 17--Assistant Secretary of Agriculture Carol Tucker Foreman today said the U.S. Department of Agriculture has bought 504,000 pounds of frozen fried chicken patties for the school lunch program.

"This purchase is intended to introduce a new, nutritious product into school lunches in selected states on a test basis," Foreman said. "This marks the first time we've bought this product. Chicken is plentiful and relatively inexpensive in the American marketplace."

USDA's Food Safety and Quality Service bought the chicken patties for \$1.26 to \$1.39 per pound--a total cost of \$676,000. This one-time purchase completes the test buy, she said.

"We'll monitor how acceptable the chicken patties are to the students," Foreman said. "If they're well received, USDA may buy more for nationwide distribution."

Offers were accepted from four of five firms submitting bids. The chicken patties will be shipped to schools between Nov. 17 to 29.

Details of today's purchase are:

<i>Company and F.O.B. Destination</i>	<i>Pounds</i>	<i>Dollars per Pound</i>
New York Turkey Corp. Maspeth, N.Y.		
Option 2		
Boston, Mass., and Nashua, N.H.	72,000	1.3900
Tony Downs Foods Co. St. James, Minn.		
Option 2		
Duluth, Minn., and Green Bay, Wis.	72,000	1.3334
Vineland Foods, Inc. Norma, N.J.		
Option 1		
Huntsville, Ala., and Butner, N.C.	72,000	1.3300

Option 2		
Vineland, N.J., and Baltimore, Md.	72,000	1.2600
Larry's Food Products Inc.		
Gardena, Calif.		
Option 2		
Oklahoma City, Okla., and		
Great Southwest, Texas	72,000	1.3500
Millard Neb., and Sioux Falls, S.D.	72,000	1.3500
Seattle and Spokane, Wash.	72,000	1.3700

Under option 1, offer prices are f.o.b. mechanically refrigerated truck within 24 hours' free time provided or mechanically refrigerated railroad car (offeror's option), destination basis. Under option 2, offer prices are f.o.b. mechanically refrigerated railroad car or mechanically refrigerated truck (offeror's option), destination basis.

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Press Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

\$1.5 MILLION AWARDED FOR PLANT BIOLOGY, HUMAN NUTRITION RESEARCH

WASHINGTON, Oct. 20--Nineteen competitive research grants totaling \$1.5 Million have been awarded to support basic research in plant biology and human nutrition research, Secretary of Agriculture Bob Bergland said today.

These are the last of the competitive research grant awards for fiscal year 1980.

Bergland said a total of 200 projects received funding this year under the \$15.5 million program established by Congress to expand basic knowledge in plant science and human nutrition.

The U.S. Department of Agriculture's Science and Education Administration administers the grants.

Of the 19 grants awarded, 15 involve plant biology research and four involve human nutrition research, said Anson R. Bertrand, USDA director of science and education.

Scientists will use the plant biology grants to learn how some plants are able to utilize nitrogen that is present in the atmosphere; how plants are able to capture the sun's energy and convert it into food; and how plant genes interact.

Eight of them will fund research into genetic mechanisms for crop improvement to encourage innovative approaches to developing genetically superior crops.

Six research projects on plant photosynthesis are being funded because there are many indications that productivity of crop plants may be improved by increasing their photosynthetic efficiency, Bertrand said.

One research project focuses on understanding nitrogen fixing mechanisms in both symbiotic and free living organisms because nitrogen is the most common limiting nutrient to plant growth.

"The objective of the human nutrition grants is to support basic research that will help fill gaps in knowledge about the body's nutrient requirements; how the body uses nutrients; and the nutritional quality of foods consumed in the United States," Bertrand said.

A listing of the grants in the four categories follows:

RESEARCH ON GENETIC MECHANISMS FOR CROP IMPROVEMENT

- Brookhaven National Laboratory, U.S. Department of Energy, Upton, N.Y., \$60,650.
- Carnegie Institution of Washington, Washington, D.C., \$90,000.
- Science and Education Administration, USDA, Beltsville, Md., \$55,000.
- Stanford University, Stanford, Calif., \$100,000.
- Texas Tech University, Lubbock, \$55,000.
- University of California, Davis, \$80,000.
- University of Illinois, Urbana one grant for \$137,025 and one for

RESEARCH ON PHOTOSYNTHESIS

- Hunter College, New York, N.Y., \$60,000.
- Purdue University, West Lafayette, Ind., \$62,000.
- University of California, Los Angeles, \$62,000.
- University of Cincinnati, Ohio, \$65,000.
- University of Notre Dame, Ind., \$62,000.
- University of Utah, Salt Lake City, \$62,000.

RESEARCH ON BIOLOGICAL NITROGEN FIXATION

- University of Nebraska, Lincoln, \$32,800.

RESEARCH ON HUMAN REQUIREMENTS FOR NUTRIENTS

- Rutgers University, New Brunswick, N.J., \$103,000.
- University of California, Berkeley, \$130,000.
- University of Maryland, College Park, \$43,000.
- Webb Associates, Yellow Springs, Ohio, \$190,000.

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Press Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

ORGANIC AND CONVENTIONAL FARMERS SHARE SAME CONCERNS

LINCOLN, Neb., Oct. 24--"For many years organic farmers and conventional farmers seemed to be traveling diverging paths--yet both were searching for answers to the same serious and continuing concerns for human well-being," said Anson R. Bertrand, director of science and education for the U.S. Department of Agriculture.

Speaking at a seminar on organic farming at the University of Nebraska, Lincoln, Bertrand said these common concerns include hazards to health and food safety from heavy use of pesticides, the steady decline in soil productivity, and degradation of the environment.

"Today, events such as the increase in the price of fuel and nitrogen fertilizer have brought conventional farming and organic farming closer together in many areas of farm management," he said.

Farmers in general are seeking multiple approaches to deal with crop pests. Today's integrated pest management includes many approaches borrowed from organic farming. Farmers are scouting for pests, introducing selective predators and parasites, rotating crops, and timing their operations to beat the pests' own timetables in nature, Bertrand said.

Much can be learned from the experiences of organic farmers. We need to look at their cropping and cultural practices--the kinds of systems they use for rotating crops, preparing and planting seeds and harvesting, the kind of equipment used," he said.

To be successful, Bertrand said, organic farming requires the fine tuning of a number of variables, including an appropriate mix of deep rooted and shallow rooted crops, the right selection of seed varieties, proper weed and insect control strategies and available markets.

Bertrand said USDA's Science and Education Administration and state universities are doing important research that has major implications for organic farming.

Such projects, he said, include research on the utilization of sewer sludge as compost and on the role of nutrient cycling in plant and growth--to learn how plants get nitrogen from the soil, in what forms, .

and how nitrogen is held in the soil by organic matter.

"I am convinced that we will never again see organic and conventional farming as far apart in their approaches and in their perceptions as they have been in the past few decades," Bertrand said.

"We hope to implement research and education programs that will assist farmers who want to practice effective organic farming methods even more efficiently in the years ahead."

"In the Science and Education Administration, our role as agricultural scientists and educators has been and continues to be one of providing the farmer with as many alternatives as possible. For some, organic farming may be the best and most viable option. Others will choose different alternatives. We have a responsibility to provide the data needed for sound decisionmaking."

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